



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2011 Biennium

<b>Bill #</b>	HB0673	<b>Title:</b>	Narrowly mitigate reappraisal
<b>Primary Sponsor:</b>	Hoven, Brian	<b>Status:</b>	As Introduced

- |   |  |  |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact     | <input type="checkbox"/> Needs to be included in HB 2  | <input type="checkbox"/> Technical Concerns              |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

### FISCAL SUMMARY

	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>	<u>FY 2012 Difference</u>	<u>FY 2013 Difference</u>
<b>Expenditures:</b>				
General Fund	\$1,509,414	\$6,338,526	\$5,244,722	\$5,570,645
<b>Revenue:</b>				
General Fund	(\$8,667,852)	(\$23,876,275)	(\$39,314,550)	(\$55,409,844)
State Special Revenue	(\$544,405)	(\$1,499,609)	(\$2,469,248)	(\$3,480,154)
<b>Net Impact-General Fund Balance:</b>	<u>(\$10,177,266)</u>	<u>(\$30,214,801)</u>	<u>(\$44,559,272)</u>	<u>(\$60,980,489)</u>

**Description of fiscal impact:** HB 673 increases the income eligibility limits for the elderly homeowner-renter tax credit and the extended property tax assistance program, phases-in reappraisal values over a six year period, steps up the homestead exemption from 35.9% to 42%, steps up the comstead exemption for commercial property from 15.3% to 16.6%, steps down the tax rate on forestland property from 0.32% to 0.23%, changes the base crop for changes the base crop for non-irrigated land to spring wheat, changes the base crop for irrigated land from alfalfa hay to spring wheat. The bill is effective for tax years beginning after 12/31/2008.

Note that this fiscal note is written from current law and not from HJR 2. In all most all fiscal notes, current law and HJR 2 are the same. In the case of property tax for this biennium, the Legislature intentionally reduced the estimates in HJR 2 for the mitigation anticipated during this legislative session. The impacts of this legislation relative to HJR 2 are shown on page 10. Please use page 10 for purposes of comparing to HJR 2 or the general fund status.

## FISCAL ANALYSIS

### Assumptions:

#### **Department of Revenue**

#### Property Valuation and Taxes

- Under current law, the increase in reappraisal value for class 3 agricultural land, class 4 residential and commercial real property and class 10 forestland is phased in over six years. For each year over the six years, the homestead exemption for class 4 residential real properties would remain at 34% and the comstead exemption for class 4 commercial real properties would remain at 15%. The tax rate for classes 3 and 4 would be 3.01% and the tax rate for class 10 would be 0.35%.
- HB 673 sets the following exemption and tax rates for class 3, 4 and 10 property:

<u>Tax Year</u>	<u>--Class 3 -- Agricultural Property</u>	<u>--Class 4-- Residential Property</u>		<u>--Class 4-- Commercial Property</u>		<u>-- Class 10 -- Forestland --</u>
	<u>Tax Rate</u>	<u>Tax Rate</u>	<u>Exemption Percentage</u>	<u>Tax Rate</u>	<u>Exemption Percentage</u>	<u>Tax Rate</u>
2009	2.85%	2.85%	35.90%	3.01%	15.30%	0.32%
2010	2.70%	2.70%	37.40%	3.01%	15.50%	0.30%
2011	2.57%	2.57%	38.70%	3.01%	15.70%	0.28%
2012	2.45%	2.45%	39.90%	3.01%	15.90%	0.26%
2013	2.35%	2.35%	41.10%	3.01%	16.40%	0.24%
2014	2.25%	2.25%	42.00%	3.01%	16.60%	0.23%

- Under both current and proposed law, class 4 commercial multifamily dwellings would receive the homestead exemption but have the class 4 commercial tax rate applied to determine taxable value.
- Section 5 of the bill establishes a six-year reappraisal cycle for class 3, 4, and 10 property.

### Increase in Value Due to Reappraisal

- Table 1 shows the estimated reappraisal increases in the values of class 3 agricultural land, class 4 residential property, class 4 commercial multifamily property, class 4 other commercial property, and class 10 forestland.

<b>Table 1</b> <b>Changes in Value Due to Reappraisal</b>				
<b>Type of Property</b>	<b>----- Full Market Value -----</b>			<b>Percent Change</b>
	<b>2003 Reappraisal</b>	<b>2009 Reappraisal</b>	<b>Difference in Value</b>	
<b>Class 3 - Agricultural Land</b>	<b>\$4,446,329,036</b>	<b>\$5,636,120,313</b>	<b>\$1,189,791,277</b>	<b>26.8%</b>
Class 4 - Residential Property	\$48,714,569,856	\$75,575,222,942	\$26,860,653,087	55.1%
Class 4 - Commercial: Multifamily Property	\$2,226,005,531	\$2,964,215,783	\$738,210,253	33.2%
Class 4 - Commercial: All Other Property	\$11,464,532,592	\$15,444,499,573	\$3,979,966,981	34.7%
<i>Subtotal Class 4 Commercial</i>	\$13,690,538,123	\$18,408,715,357	\$4,718,177,234	34.5%
<b>Class 4 Total</b>	<b>\$62,405,107,979</b>	<b>\$93,983,938,299</b>	<b>\$31,578,830,320</b>	<b>50.6%</b>
<b>Class - 10 Forest Land</b>	<b>\$1,947,330,452</b>	<b>\$2,999,858,721</b>	<b>\$1,052,528,269</b>	<b>54.0%</b>

Class 3 Agricultural Land

6. Table 2 displays class 3 agricultural land property values under current law and proposed law through FY 2013.

<b>Table 2</b>					
<b>Class 3 Agricultural Land - Fiscal Impact of HB 673 Reappraisal Mitigation</b>					
	<b>FY 2009 (HJ 2)</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>
<b>HB 673 (six -year phase-in)</b>					
Market Value	\$4,446,329,036	\$4,669,932,815	\$4,868,231,361	\$5,066,529,907	\$5,281,326,329
<b>Tax Rate</b>	<b>3.01%</b>	<b>2.85%</b>	<b>2.70%</b>	<b>2.57%</b>	<b>2.45%</b>
<i>(effective tax rate)</i>	3.20%	3.03%	2.87%	2.73%	2.60%
Taxable Value	\$142,099,000	\$141,311,797	\$139,559,017	\$138,250,484	\$137,382,690
<b>Current Law (six-year phase-in)</b>					
Market Value	\$4,446,329,036	\$4,644,627,582	\$4,842,926,128	\$5,057,021,865	\$5,300,285,091
<b>Tax Rate</b>	<b>3.01%</b>	<b>3.01%</b>	<b>3.01%</b>	<b>3.01%</b>	<b>3.01%</b>
<i>(effective tax rate)</i>	3.20%	3.20%	3.20%	3.20%	3.20%
Taxable Value	\$142,099,000	\$148,436,368	\$154,773,737	\$161,615,963	\$169,390,345
<b>Difference (HB 673 - Current Law)</b>					
<b>Taxable Value</b>	\$0	(\$7,124,571)	(\$15,214,720)	(\$23,365,479)	(\$32,007,656)
<b>State Revenue</b>					
State Mills (95.53 mills)	\$0	(\$680,610)	(\$1,453,462)	(\$2,232,104)	(\$3,057,691)
University Mills (6 mills)	\$0	(\$42,747)	(\$91,288)	(\$140,193)	(\$192,046)

Class 4 Residential Property Values

7. Table 3 displays class 4 residential property values under current law and proposed law through FY 2013.

**Table 3**  
**Class 4 Residential Real Property - Fiscal Impact of HB 673 Reappraisal Mitigation**

	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>
<b>HB 673 (six-year phase-in)</b>					
Market Value	\$40,286,439,574	\$54,889,773,181	\$59,516,423,329	\$63,952,812,120	\$68,564,710,630
<b>Homestead Rate</b>	<b>34%</b>	<b>36%</b>	<b>37%</b>	<b>39%</b>	<b>40%</b>
<u>Taxable</u> Market Value	\$26,589,050,119	\$35,184,344,609	\$37,257,281,004	\$39,203,073,830	\$41,207,391,089
<b>Tax Rate</b>	<b>3.01%</b>	<b>2.85%</b>	<b>2.70%</b>	<b>2.57%</b>	<b>2.45%</b>
Taxable Value	\$800,330,409	\$1,002,753,821	\$1,005,946,587	\$1,007,518,997	\$1,009,581,082
<b>Current Law ( six-year phase-in)</b>					
Market Value	\$48,714,569,856	\$55,053,008,613	\$61,613,365,387	\$68,166,272,860	\$74,925,046,142
<b>Homestead Rate</b>	<b>34%</b>	<b>34%</b>	<b>34%</b>	<b>34%</b>	<b>34%</b>
<u>Taxable</u> Market Value	\$32,151,616,105	\$36,334,985,685	\$40,664,821,155	\$44,989,740,087	\$49,450,530,453
<b>Tax Rate</b>	<b>3.01%</b>	<b>3.01%</b>	<b>3.01%</b>	<b>3.01%</b>	<b>3.01%</b>
Taxable Value	\$967,763,645	\$1,093,683,069	\$1,224,011,117	\$1,354,191,177	\$1,488,460,967
<b>Difference (HB 673 - Current Law)</b>					
<b>Taxable Value</b>	(\$167,433,236)	(\$90,929,248)	(\$218,064,530)	(\$346,672,179)	(\$478,879,885)
<b>State Revenue</b>					
State Mills (95.53 mills)	(\$15,994,897)	(\$8,686,471)	(\$20,831,705)	(\$33,117,593)	(\$45,747,395)
University Mills (6 mills)	(\$1,004,599)	(\$545,575)	(\$1,308,387)	(\$2,080,033)	(\$2,873,279)

#### Class 4 Commercial Multifamily Property

8. Table 4 displays class 4 commercial multifamily property values under current law and proposed law through FY 2013.

**Table 4**  
**Class 4 (Commercial) Multifamily Residences - Fiscal Impact of HB 673 Reappraisal Mitigation**

	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>
<b>HB 673 (six year phase-in)</b>					
Market Value	\$2,226,005,531	\$2,426,950,766	\$2,554,292,035	\$2,670,756,171	\$2,797,556,085
<b>Homestead Rate</b>	<b>34%</b>	<b>36%</b>	<b>37%</b>	<b>39%</b>	<b>40%</b>
Taxable Market Value	\$1,469,163,650	\$1,555,675,441	\$1,598,986,814	\$1,637,173,533	\$1,681,331,207
<b>Tax Rate (Commercial)</b>	<b>3.01%</b>	<b>3.01%</b>	<b>3.01%</b>	<b>3.01%</b>	<b>3.01%</b>
Taxable Value	\$44,221,826	\$46,825,831	\$48,129,503	\$49,278,923	\$50,608,069
<b>Current Law (six-year phase-in)</b>					
Market Value	\$2,226,005,531	\$2,431,255,498	\$2,643,692,374	\$2,853,640,398	\$3,070,184,274
<b>Homestead Rate</b>	<b>34%</b>	<b>34%</b>	<b>34%</b>	<b>34%</b>	<b>34%</b>
Taxable Market Value	\$1,469,163,650	\$1,604,628,629	\$1,744,836,967	\$1,883,402,663	\$2,026,321,621
<b>Tax Rate (Commercial)</b>	<b>3.01%</b>	<b>3.01%</b>	<b>3.01%</b>	<b>3.01%</b>	<b>3.01%</b>
Taxable Value	\$44,221,826	\$48,299,322	\$52,519,593	\$56,690,420	\$60,992,281
<b>Difference (HB 673 - Current Law)</b>					
<b>Taxable Value</b>	\$0	(\$1,473,491)	(\$4,390,090)	(\$7,411,497)	(\$10,384,211)
<b>State Revenue</b>					
State Mills (95.53 mills)	\$0	(\$140,763)	(\$419,385)	(\$708,020)	(\$992,004)
University Mills (6 mills)	\$0	(\$8,841)	(\$26,341)	(\$44,469)	(\$62,305)

#### Class 4 Commercial Real Property

9. Table 5 displays class 4 commercial property values under current law and proposed law through FY 2013.

<b>Table 5</b> <b>Class 4 Commercial Real Property - Fiscal Impact of HB 673 Reappraisal Mitigation</b>					
	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>
<b>HB 673 (six year phase-in)</b>					
Market Value	\$11,464,532,592	\$12,529,119,063	\$13,215,663,368	\$13,845,926,443	\$14,529,552,105
<b>Comstead Rate</b>	<b>15.0%</b>	<b>15.3%</b>	<b>15.5%</b>	<b>15.9%</b>	<b>16.4%</b>
Taxable Market Value	\$9,744,852,704	\$10,612,163,847	\$11,167,235,546	\$11,644,424,139	\$12,146,705,560
<b>Tax Rate</b>	<b>3.01%</b>	<b>3.01%</b>	<b>3.01%</b>	<b>3.01%</b>	<b>3.01%</b>
Taxable Value	\$293,320,066	\$319,426,132	\$336,133,790	\$350,497,167	\$365,615,837
<b>Current Law (six-year phase-in)</b>					
Market Value	\$11,464,532,592	\$12,127,860,423	\$12,791,188,253	\$13,454,516,083	\$14,117,843,913
<b>Comstead Rate</b>	<b>15%</b>	<b>15%</b>	<b>15%</b>	<b>15%</b>	<b>15.0%</b>
Taxable Market Value	\$9,744,852,704	\$10,308,681,359	\$10,872,510,015	\$11,436,338,670	\$12,000,167,326
<b>Tax Rate</b>	<b>3.01%</b>	<b>3.01%</b>	<b>3.01%</b>	<b>3.01%</b>	<b>3.01%</b>
Taxable Value	\$293,320,066	\$322,294,302	\$358,384,589	\$396,427,593	\$436,510,504
<b>Difference (HB 673 - Current Law)</b>					
<b>Taxable Value</b>	\$0	(\$2,868,171)	(\$22,250,799)	(\$45,930,427)	(\$70,894,666)
<b>State Revenue</b>					
State Mills (95.53 mills)	\$0	(\$273,996)	(\$2,125,619)	(\$4,387,734)	(\$6,772,567)
University Mills (6 mills)	\$0	(\$17,209)	(\$133,505)	(\$275,583)	(\$425,368)

#### Class 10 Forestland Property

10. Table 6 displays class 10 forestland property values under current law and proposed law through FY 2013.

<b>Table 6</b> <b>Class 10 Forestland - Fiscal Impact of HB 673 Reappraisal Mitigation</b>					
	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>
<b>HB 673 (six year phase-in)</b>					
Market (Productivity) Value	\$1,947,330,452	2,122,751,830	2,298,173,208	2,491,750,155	2,668,557,362
<b>Tax Rate</b>	<b>0.35%</b>	<b>0.32%</b>	<b>0.30%</b>	<b>0.28%</b>	<b>0.26%</b>
Taxable Value	\$6,817,000	\$6,792,806	\$6,894,520	\$6,976,900	\$6,938,249
<b>Current Law (six-year phase-in)</b>					
Market (Productivity) Value	\$1,947,330,452	\$2,122,751,830	\$2,298,173,208	\$2,454,066,087	\$2,608,728,226
<b>Tax Rate</b>	<b>0.35%</b>	<b>0.35%</b>	<b>0.35%</b>	<b>0.35%</b>	<b>0.35%</b>
Taxable Value	\$6,817,000	\$7,429,631	\$8,043,606	\$8,589,231	\$9,130,549
<b>Difference (HB 673 - Current Law)</b>					
<b>Taxable Value</b>	\$0	(\$636,826)	(\$1,149,087)	(\$1,612,331)	(\$2,192,300)
<b>State Revenue</b>					
State Mills (95.53 mills)	\$0	(\$60,836)	(\$109,772)	(\$154,026)	(\$209,430)
University Mills (6 mills)	\$0	(\$3,821)	(\$6,895)	(\$9,674)	(\$13,154)

11. Table summarizes the differences between current law and proposed law through FY 2013.

<b>Table 7</b> <b>Summary of Change in Taxable Value and Property Tax Revenue</b>					
	<b>FY 2009</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>
<b>HB 673 (six- year phase-in)</b>					
<b>Class 3 - Agricultural Land</b>	\$142,099,000	\$141,311,797	\$139,559,017	\$138,250,484	\$137,382,690
Class 4 - Residential	\$800,330,409	\$1,002,753,821	\$1,005,946,587	\$1,007,518,997	\$1,009,581,082
Class 4 - Commercial: Multifamily Property	\$44,221,826	\$46,825,831	\$48,129,503	\$49,278,923	\$50,608,069
Class 4 - Commercial: All Other Property	\$293,320,066	\$319,426,132	\$336,133,790	\$350,497,167	\$365,615,837
<i>Subtotal Class 4 Commercial</i>	\$337,541,892	\$366,251,963	\$384,263,293	\$399,776,090	\$416,223,907
<b>Class 4 Total</b>	\$1,137,872,301	\$1,369,005,784	\$1,390,209,880	\$1,407,295,087	\$1,425,804,988
<b>Class - 10 Forest Land</b>	\$6,817,000	\$6,792,806	\$6,894,520	\$6,976,900	\$6,938,249
<b>Total Taxable Value</b>	<b>\$1,286,788,301</b>	<b>\$1,517,110,387</b>	<b>\$1,536,663,417</b>	<b>\$1,552,522,472</b>	<b>\$1,570,125,927</b>
<b>Current Law (six-year phase-in)</b>					
<b>Class 3 - Agricultural Land</b>	\$142,099,000	\$148,436,368	\$154,773,737	\$161,615,963	\$169,390,345
Class 4 - Residential Property	\$967,763,645	\$1,093,683,069	\$1,224,011,117	\$1,354,191,177	\$1,488,460,967
Class 4 - Commercial: Multifamily Property	\$44,221,826	\$48,299,322	\$52,519,593	\$56,690,420	\$60,992,281
Class 4 - Commercial: All Other Property	\$293,320,066	\$322,294,302	\$358,384,589	\$396,427,593	\$436,510,504
<i>Subtotal Class 4 Commercial</i>	\$337,541,892	\$370,593,624	\$410,904,181	\$453,118,013	\$497,502,784
<b>Class 4 Total</b>	\$1,305,305,537	\$1,464,276,693	\$1,634,915,298	\$1,807,309,190	\$1,985,963,751
<b>Class - 10 Forest Land</b>	\$6,817,000	\$7,429,631	\$8,043,606	\$8,589,231	\$9,130,549
<b>Total Taxable Value</b>	<b>\$1,454,221,537</b>	<b>\$1,620,142,693</b>	<b>\$1,797,732,641</b>	<b>\$1,977,514,384</b>	<b>\$2,164,484,645</b>
<b>Difference (HB 673 - Current Law)</b>					
<b>Change in Taxable Value</b>	(\$167,433,236)	(\$103,032,306)	(\$261,069,224)	(\$424,991,912)	(\$594,358,718)
<b>State Revenue</b>					
State Mills (95.53 mills)	(\$15,994,897)	(\$9,842,676)	(\$24,939,943)	(\$40,599,477)	(\$56,779,088)
University Mills (6 mills)	(\$1,004,599)	(\$618,194)	(\$1,566,415)	(\$2,549,951)	(\$3,566,152)

### Change in Agricultural Taxation

12. Section 6 of HB 673 amends 15-7-201, MCA, increasing the base water cost for irrigated land to \$15. It also increases labor costs by \$5 to \$6 per acre for each type of irrigation and changes the base crop for non-irrigated land to spring wheat.
13. Section 6 changes the base crop for irrigated land from alfalfa hay to spring wheat (see technical note).
14. Section 7 of HB 673 amends 15-7-202, MCA, increasing the annual gross income threshold for determining agricultural land eligibility from its current level of \$1,500 to \$3,000. It also provides for an annual inflation factor to that threshold amount. The estimated impact from this threshold change is an increase in taxable value of \$14.9 million or \$1,501,898 in state mill revenue and \$94,330 to university mills.

### Changes to Existing Property Tax Assistance Programs

15. Section 3 of the bill amends the extended property assistance program (EPTAP) in 15-6-193 (5)(a), MCA, removing the reference to revaluation cycles after December 31, 2008.

Current Law		
Income Test	% Change in Taxable Value	Tax Liability
Income ≤ \$25,000	24%	\$250
\$25,000 < Income ≤ \$50,000	30%	\$250
\$50,000 < Income ≤ \$75,000	36%	\$250
HB 673		
Income Test	% Change in Taxable Value	Tax Liability
Income ≤ \$28,000	55%	\$285
\$28,000 < Income ≤ \$57,000	60%	\$285
\$57,000 < Income ≤ \$85,500	70%	\$285

Based on these new parameters, an estimated 1,933 additional properties would be eligible for EPTAP under HB 658. The estimated impact is shown in the following table:

HB 673: Reduction in Taxable Value - EPTAP				
	FY 2010	FY 2011	FY 2012	FY 2013
Taxable Value Reduction	(\$3,423,535)	(\$4,587,359)	(\$2,271,231)	(\$1,388,614)
Revenue Reduction				
State Mills (95.53 mills)	(\$327,050)	(\$438,230)	(\$216,971)	(\$132,654)
University Mills (6 mills)	(\$20,541)	(\$27,524)	(\$13,627)	(\$8,332)

## Department of Revenue (DOR) Expenditures

### Property Assessment Division

16. DOR's property assessment division would require 10 tax appraisers in FY 2010, 7 appraisers in FY 2011, 7 appraisers in FY 2012, and 7 appraisers in FY 2013 to handle the additional residential valuation requirements in a four-year time span as required by HB 673. The estimated personal services costs for these positions are \$479,472 in FY 2010, \$335,630 in FY 2011, \$335,630 in FY 2012, and \$335,630 in FY 2013; associated annual operating expenses are \$72,960 in FY 2010 and \$53,872 in FY 2011 through FY 2013. One-time only costs of \$52,540 would be incurred in FY 2010 for equipment.
17. There would be an additional cost for self-reporting mailing of \$126,400 in FY 2010, \$129,451 in FY 2011, \$131,005 in FY 2012, and \$132,578 in FY 2013.
18. There is an estimated cost of \$30,000 per year for national agricultural imagery to handle the additional requirements on agricultural appraisal in HB 673.
19. Section 5 of HB 673 requires the department to provide the Revenue and Transportation Interim Committee with a sales assessment ratio study of residences. The estimated cost is \$75,000 in FY 2011 and in FY 2013.
20. Section 8 of HB 673 would create a forest advisory council and maintains the agricultural land advisory council. The estimated cost associated with staffing these councils is \$36,800 in FY 2014.
21. This bill raises the gross annual income agricultural eligibility threshold from \$1,500 to \$ 3,000 with an annual cost of inflation adjustment. Those taxpayers that have received agricultural land status will be asked to make a re-application in order to confirm their eligibility status. The estimated cost of mailing agricultural application forms to taxpayers is as follows: \$3,565 in FY 2010, \$1,780 in FY 2011, \$1,070 in FY 2012 and \$715 in FY 2013.
22. An educational/informational taxpayer program is estimated at \$46,000 for FY 2010, FY 2011 and for FY 2012. Additional expenses for an advertising campaign include \$4,047 each year in FY 2010 through FY 2012 and \$60,000 in FY 2013. The following table provides a summary of the costs associated with HB 673 to DOR:

HB 673: Department of Revenue Administrative Costs				
	FY 2010	FY 2011	FY 2012	FY 2013
<b>FTE</b>	<b>10.00</b>	<b>7.00</b>	<b>7.00</b>	<b>7.00</b>
<b>Personnel Services</b>	<b>\$479,472</b>	<b>\$335,630</b>	<b>\$335,630</b>	<b>\$335,630</b>
Annual operating costs	\$72,960	\$53,872	\$53,872	\$53,872
Self-reported mailing	\$126,400	\$129,451	\$131,005	\$132,578
National agricultural imagery	\$30,000	\$30,000	\$30,000	\$30,000
Sales assessment ratio study		\$75,000		\$75,000
Forest advisory council				
Mailing agricultural application forms	\$3,565	\$1,780	\$1,070	\$715
Educational program	\$46,000	\$46,000	\$46,000	
Advertising campaign	\$4,047	\$4,047	\$4,047	\$60,000
<b>Total Operating Costs</b>	<b>\$282,972</b>	<b>\$340,150</b>	<b>\$265,994</b>	<b>\$352,165</b>
<b>Equipment</b>	<b>\$52,450</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Total Administrative Costs</b>	<b>\$814,894</b>	<b>\$675,780</b>	<b>\$601,624</b>	<b>\$687,795</b>

### Office of Public Instruction

23. The change in taxable value from present law to HB 673 would create a guaranteed tax base aid (GTB) cost to the state general fund of \$0.7 million in FY 2010, \$4.4 million in FY 2011, \$3.6 million in FY 2012 and \$3.9 million in FY 2013.
24. County school levies for all district funds will not change the amount of revenue received due to this bill as local school district mills float to adjust. The amount each taxpayer will pay will change based on the assessed value of their property.
25. Countywide retirement GTB will decrease due to the increase in taxable values by approximately \$3,646 in FY 2010, \$1.2 million in FY 2011, and \$1.0 million in subsequent years. This is based on a historical average of 28% of the costs paid by the state and FY 2009 county levies of \$65.1 million.

	FY 2010	FY 2011	FY 2012	FY 2013
Increase in Taxable Value	-0.02%	-7.04%	-5.54%	-5.54%
FY 2009 County Levies	\$65,100,000	\$65,100,000	\$65,100,000	\$65,100,000
State Share	28%	28%	28%	28%
County Retirement	(\$3,646)	(\$1,283,251)	(\$1,009,831)	(\$1,009,831)

26. Revenue received from county school levies for all district funds will not change due to this bill. Local school district mills would adjust to provide the needed revenue. The amount each taxpayer pays will change based on property tax value changes.
27. The GTB savings to the state general fund from HJR 2 to present law is \$2.0 million in FY 2010 and about \$2.5 million in subsequent years.



**Expenditure and Revenue Impact Relative to Current Law**

<b><u>Fiscal Impact:</u></b>	<b><u>FY 2010 Difference</u></b>	<b><u>FY 2011 Difference</u></b>	<b><u>FY 2012 Difference</u></b>	<b><u>FY 2013 Difference</u></b>
<b>Department of Revenue</b>				
<b>FTE</b>	10.00	7.00	7.00	7.00
<b><u>Expenditures:</u></b>				
Personal Services	\$479,472	\$335,630	\$335,630	\$335,630
Operating Expenses	\$282,972	\$340,150	\$265,994	\$352,165
Equipment	\$52,450	\$0	\$0	\$0
Benefits	\$0	\$0	\$0	\$0
Transfers	\$0	\$0	\$0	\$0
<b>TOTAL Expenditures</b>	<b>\$814,894</b>	<b>\$675,780</b>	<b>\$601,624</b>	<b>\$687,795</b>
		\$0		
<b>Office of Public Instruction</b>				
<b><u>Expenditures:</u></b>				
Local Assitance:GTB	\$690,874	\$4,379,495	\$3,633,267	\$3,873,019
Local Assistance: Co. Retire. (GTB)	\$3,646	\$1,283,251	\$1,009,831	\$1,009,831
<b>TOTAL Expenditures</b>	<b>\$694,520</b>	<b>\$5,662,746</b>	<b>\$4,643,098</b>	<b>\$4,882,850</b>
<b><u>Funding of Expenditures (all agencies):</u></b>				
General Fund (01)	\$1,509,414	\$6,338,526	\$5,244,722	\$5,570,645
<b><u>Revenue</u></b>				
General Fund Property Tax Mitigation	(\$9,842,676)	(\$24,939,943)	(\$40,599,477)	(\$56,779,088)
Agricultural Tax (01)	\$1,501,898	\$1,501,898	\$1,501,898	\$1,501,898
EPTAP (01)	(\$327,050)	(\$438,230)	(\$216,971)	(\$132,654)
<b>Total General Fund Revenue</b>	<b>(\$8,667,828)</b>	<b>(\$23,876,275)</b>	<b>(\$39,314,550)</b>	<b>(\$55,409,844)</b>
SSR (6 mill) Property Tax Mitigation	(\$618,194)	(\$1,566,415)	(\$2,549,951)	(\$3,566,152)
Agricultural Tax (02)	\$94,330	\$94,330	\$94,330	\$94,330
EPTAP (02)	(\$20,541)	(\$27,524)	(\$13,627)	(\$8,332)
<b>Total State Special Revenue</b>	<b>(\$544,405)</b>	<b>(\$1,499,609)</b>	<b>(\$2,469,248)</b>	<b>(\$3,480,154)</b>
<b>TOTAL Revenues</b>	<b>(\$9,212,233)</b>	<b>(\$25,375,884)</b>	<b>(\$41,783,798)</b>	<b>(\$58,889,998)</b>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
General Fund (01)	(\$10,177,242)	(\$30,214,801)	(\$44,559,272)	(\$60,980,489)
State Special Revenue (02)	(\$544,405)	(\$1,499,609)	(\$2,469,248)	(\$3,480,154)

**Expenditure and Revenue Impact Relative to HJ 2**

<b><u>Fiscal Impact:</u></b>	<b><u>FY 2010</u></b>	<b><u>FY 2011</u></b>	<b><u>FY 2012</u></b>	<b><u>FY 2013</u></b>
	<b><u>Difference</u></b>	<b><u>Difference</u></b>	<b><u>Difference</u></b>	<b><u>Difference</u></b>
<b>Department of Revenue</b>				
<b>FTE</b>	10.00	7.00	7.00	7.00
<b><u>Expenditures:</u></b>				
Personal Services	\$479,472	\$335,630	\$335,630	\$335,630
Operating Expenses	\$282,972	\$340,150	\$265,994	\$352,165
Equipment	\$52,450	\$0	\$0	\$0
Benefits	\$0	\$0	\$0	\$0
Transfers	\$0	\$0	\$0	\$0
<b>TOTAL Expenditures</b>	<b>\$814,894</b>	<b>\$675,780</b>	<b>\$601,624</b>	<b>\$687,795</b>

**Office of Public Instruction**

<b><u>Expenditures:</u></b>				
Local Assistance:GTB	(\$1,310,541)	\$1,793,067	\$1,064,458	\$1,363,599
Local Assistance: Co. Retire. (GTB)	(\$710,892)	\$328,104	\$116,659	\$136,710
<b>TOTAL Expenditures</b>	<b>(\$2,021,433)</b>	<b>\$2,121,171</b>	<b>\$1,181,117</b>	<b>\$1,500,309</b>

**Funding of Expenditures (all agencies):**

General Fund (01)	(\$1,206,539)	\$2,796,951	\$1,782,741	\$2,188,104
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**Revenue**

General Fund Property Tax Mitigation	\$1,643,497	(\$1,005,790)	(\$3,724,321)	(\$6,482,066)
Agricultural Tax (01)	\$1,501,898	\$1,501,898	\$1,501,898	\$1,501,898
EPTAP (01)	(\$327,050)	(\$438,230)	(\$216,971)	(\$132,654)
<b>Total General Fund Revenue</b>	<b>\$2,818,345</b>	<b>\$57,878</b>	<b>(\$2,439,394)</b>	<b>(\$5,112,822)</b>
SSR (6 mill) Property Tax Mitigation	\$103,224	(\$63,171)	(\$233,915)	(\$407,122)
Agricultural Tax (02)	\$94,330	\$94,330	\$94,330	\$94,330
EPTAP (02)	(\$20,541)	(\$27,524)	(\$13,627)	(\$8,332)
<b>Total State Special Revenue</b>	<b>\$177,013</b>	<b>\$3,635</b>	<b>(\$153,212)</b>	<b>(\$321,124)</b>
<b>TOTAL Revenues</b>	<b>\$2,995,358</b>	<b>\$61,513</b>	<b>(\$2,592,606)</b>	<b>(\$5,433,946)</b>

**Net Impact to Fund Balance (Revenue minus Funding of Expenditures):**

General Fund (01)	\$4,024,884	(\$2,739,073)	(\$4,222,135)	(\$7,300,926)
State Special Revenue (02)	\$177,013	\$3,635	(\$153,212)	(\$321,124)

**Effect on County or Other Local Revenues or Expenditures:**

- Using the difference in taxable value under HB 673 and projected statewide average local mills under the bill and under current law it is estimated that with respect current law there would be a reduction in local jurisdiction total property tax revenue of \$13.0 million in FY 2010, a gain of \$2.2 million in FY 2011, \$5.8 million higher FY 2012 and \$14.0 million higher in FY 2013. It is anticipated that local and school mills would adjust. Relative to HJ 2 taxable value and mill estimates, local jurisdictions would collect

\$21.4 million less revenue in FY 2010. There would be a \$7.4 million gain in local jurisdiction property tax revenue of in FY 2011, \$17.6 million reduction in FY 2012, and a \$40.1 million reduction in FY 2013.

**Technical Notes:**

1. The purpose of the forestland advisory council established in this bill would be to review the calculations involved in forest land valuation, but under the current language the council would not review the net income calculations, nor the capitalization rate. If that is not the intent an amendment should include subsections (5) and (6) in (10)(c)(i).
2. The terms of the members of the forestland advisory council could become problematic since the current language has those terms expiring on December 31 of each even numbered year. That will result in overlap of committees during each 4-year reappraisal cycle. It would be more workable if the term of the committee was similar to the Agricultural Land Valuation Advisory Committee
3. Section 6 of HB 673 changes the base crop for non-irrigated land to spring wheat. It also amends the base crop for irrigated land from “alfalfa hay” to “spring wheat” – that may not be correct based on the language in the other proposed bills.

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*Sponsor's Initials*

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*Date*

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*Budget Director's Initials*

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*Date*